

a

IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-Sixth Session
Rome, 12-13 December 2005

REPUBLIC OF MAURITIUS

COUNTRY STRATEGIC OPPORTUNITIES PAPER

TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
MAP	iv
PORTFOLIO OVERVIEW	v
EXECUTIVE SUMMARY	vi
I. INTRODUCTION	1
II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT	1
A. Country Economic Background	1
B. Agricultural Sector	3
C. Rural Poverty	4
D. Constraints on and Opportunities for Rural Poverty Reduction	5
E. National Strategy for Rural Poverty Reduction	6
III. LESSONS FROM IFAD’S EXPERIENCE IN THE COUNTRY	7
IV. STRATEGIC FRAMEWORK FOR IFAD	8
A. IFAD’s Strategic Niche and Proposed Thrusts	8
B. Main Opportunities for Innovations and Project Interventions	9
C. Outreach and Partnership Possibilities with NGOs and the Private Sector	12
D. Opportunities for Linkages with Other Donors and Institutions	12
E. Areas for Policy Dialogue	13
F. Action Areas for Improving Portfolio Management	14
G. Tentative Lending Framework and Rolling Programme of Work	14
APPENDIXES	
I. COUNTRY DATA	1
II. LOGICAL FRAMEWORK	4
III. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS	6
IV. IFAD’S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME	9
V. ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED	10

CURRENCY EQUIVALENTS

Currency unit	=	Mauritian rupee (MUR)
USD 1.0	=	MUR 28.0
MUR 100	=	USD 3.6

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 hectare
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

CBO	community-based organization
COSOP	country strategic opportunities paper
EU	European Union
RDP	Rural Diversification Programme
SME	small and medium-sized enterprise
TFSIVG	Trust Fund for the Social Integration of Vulnerable Groups

GOVERNMENT OF THE REPUBLIC OF MAURITIUS**Fiscal Year**

1 July – 30 June

MAP



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

PORTFOLIO OVERVIEW

Region: Eastern and Southern Africa

Country: Mauritius

Project/Programme Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of Approved Amount)
Small-Scale Agricultural Development Project	IFAD	World Bank	I	December 1981	May 1983	December 1991	O78-MT	SDR	5.25 million	98.0
Rural Diversification Programme	IFAD	UNOPS	I	April 1999	4 April 2000	December 2006	504-MU	SDR	8.2 million	43.2

I = Intermediate. UNOPS = United Nations Office for Project Services.

EXECUTIVE SUMMARY

1. **Introduction.** The country strategic opportunities paper (COSOP) is a key tool in deciding on the nature of the engagement of IFAD and the way IFAD should contribute to the efforts of governments and other stakeholders to reduce rural poverty. Mauritius has undergone rapid economic and social development since joining IFAD and is now well into the ranks of middle income countries. There have been two IFAD-supported investments, the second of which is scheduled for completion in mid-2006. Recently, the country has been faced with two major problems: a decline in sugar prices and factory closures in the textile industry (the main employers in rural areas). Both problems have serious implications for rural poverty. This COSOP is the first for Mauritius. It has been prepared to provide a strategic framework with which IFAD would support the Government of Mauritius in strengthening its strategies and policies in rural poverty reduction. Also, the COSOP has been prepared to comply with the programmatic approach of IFAD's new operating model to address a variety of diverse functions anchored on an investment project.

2. The COSOP builds on the experience of IFAD and its partners in Mauritius, as well as lessons learned from poverty reduction initiatives in other small island developing nations and IFAD's Strategic Framework 2002-2006, regional strategy for Eastern and Southern Africa, and Performance-Based Allocation System. The document reflects on the challenges of dealing with persistent pockets of rural poverty in a country that has generally experienced substantial improvements in living standards and on the structural adjustment pressures in relation to two major economic sectors: sugar and textiles.

3. **The agricultural sector.** On Mauritius Island, apart from Port Louis and its surroundings, almost everyone lives in villages where they are engaged in part-time farming, combined with employment in the manufacturing and service sectors. Rural households are rarely totally dependent on agriculture. However, coastal communities tend to be isolated from the sugar lands and off-farm employment opportunities and remain heavily dependent on marine resources. On Rodrigues Island, almost all households are regarded as rural and dependent on subsistence agriculture, fishing, microenterprises and part-time (mainly government) employment.

4. **Rural poverty.** There is a widening gap between households engaged in the expanding sectors of the economy and those that have been unable to become so engaged. This has left pockets of poverty containing households that are vulnerable to the pressures of environmental deterioration, economic structural change and global competition. The most vulnerable groups include: (a) rural households dependent on sugar cane or employment in the textile sector; (b) lagoon fishers affected by declining catches and competition with other users; (c) immigrants and peri-urban dwellers who have been unable to integrate economically; (d) isolated households that lack marketing and employment opportunities; (e) poorly educated single-parent households; (f) rural youths, especially school dropouts; and (g) households affected by HIV/AIDS.

5. On Rodrigues, the characteristics of rural poverty are different and more difficult to deal with. Rodrigues does not have an export manufacturing sector or significant tourism development and has never had a sugar industry. It is heavily dependent on subsistence agriculture, livestock and lagoon fishing. Fishing communities are at risk from hurricanes, tsunamis and the rising sea level. Agriculture is threatened by soil erosion, overgrazing, droughts and cyclones.

6. **Strategic focus.** IFAD and the Government are moving towards a new form of partnership that is different from the standard model that applies in low-income countries and has been predominant in Mauritius until the present time. This recognizes that: (a) Mauritius now has significant domestic resources to deal with rural poverty, and (b) project finance is likely to become a less important part of the relationship under IFAD's new operating model, which incorporates a more diverse range of instruments within the overall programmatic approach. The COSOP highlights the priority areas for

engagement and proposes that IFAD's role should evolve towards a more differentiated approach, including policy dialogue, knowledge management and sharing, and partnership-building.

7. The COSOP defines areas where IFAD can add value to the Government's policies and programmes in rural poverty reduction. It will have a strong focus on Rodrigues, but will not overlook remaining pockets of rural poverty on Mauritius Island, where the largest number of the rural poor are found. The **goal** is to contribute to improved livelihoods and incomes among poor rural households on Rodrigues and in selected village council areas of Mauritius with the highest incidence of poverty. Within this overall goal, the **objective** is to help poor rural households adapt to and benefit from economic restructuring by improving their ability to participate in the rapidly growing sectors of the Mauritian economy.

8. The **priority areas** for the COSOP relating to rural poverty are as follows:

Priority Areas	Affected Group
<ul style="list-style-type: none"> Continuing high concentration of poverty on Rodrigues and the poorest village council areas on Mauritius Island. 	<ul style="list-style-type: none"> Households with less than MUR 6 000 per month income on Rodrigues and Mauritian village council areas with the lowest relative development index; about 25 000 households are in these categories.
<ul style="list-style-type: none"> Loss of manufacturing industry jobs in rural areas and rising unemployment. 	<ul style="list-style-type: none"> Retrenched textile workers (mainly women) and sugar factory workers living in rural areas, and their families; more than 20 000 households have so far been affected by job losses.
<ul style="list-style-type: none"> Coastal communities with heavy dependence on in-shore marine resources. 	<ul style="list-style-type: none"> Artisanal and small-scale commercial fishers and their families, including some 750 women fishers on Rodrigues under threat from the proposed regulation of octopus fishing. Households (about 3 000) formerly engaged in lagoon sand mining.
<ul style="list-style-type: none"> Declining sugar prices placing downward pressure on smallholder sugar-grower incomes. 	<ul style="list-style-type: none"> Around 30 000 small sugar cane planters and their families; many are also affected by the loss in manufacturing jobs.

9. **Proposed thrusts.** In order to address these priority areas, the COSOP proposes three main thrusts: (a) poverty alleviation through the enhanced management of marine resources; (b) support for the implementation of the country's non-sugar sector strategic plan; and (c) technical and vocational training to improve employment prospects for poor and vulnerable households.

10. **Possible project interventions.** Given existing donor- and government-sponsored activities relating to microfinance, microenterprise development and community development, there is no justification for further IFAD support in these areas beyond the life of the ongoing Rural Diversification Programme. Instead, three main intervention opportunities have been identified:

- An integrated **marine resource management and livelihoods programme** for coastal communities threatened by the overexploitation and pollution of the marine environment. This could take place in both Mauritius and Rodrigues Islands.
- Support for the effective implementation of the Government's **non-sugar sector strategic plan** to accelerate the diversification of sugar farming systems in ways that will avoid the further marginalization of the poorest smallholders.

- A **technical and vocational training programme** to improve employment prospects for poor and vulnerable households, especially young people and those affected by job losses in the manufacturing and sugar processing sectors.

11. The Government and other stakeholders have expressed a preference that future IFAD support should focus on marine resource management and livelihoods centred on Rodrigues, but with the possibility of also including aspects of the non-sugar sector strategic plan. Other activities to be pursued as part of the COSOP will include support for the Government in strengthening policies aimed at marine environmental protection and sustainable rural poverty reduction in coastal communities, as well as partnership development.

REPUBLIC OF MAURITIUS
COUNTRY STRATEGIC OPPORTUNITIES PAPER

I. INTRODUCTION¹

1. Mauritius has undergone rapid economic and social development, in the time since joining IFAD in 1979 and is now well into the ranks of middle income developing countries. During this period, there have been two IFAD-supported investments, the second of which is scheduled for completion in mid-2006. Structural changes in the economy are creating persistent pockets of rural poverty that are proving difficult to eradicate. This country strategic opportunities paper (COSOP) is the first for Mauritius. It has been prepared to provide a strategic framework within which IFAD would support the Government of Mauritius in strengthening its strategies and policies to reduce rural poverty. Also, this COSOP has been prepared to comply with the programmatic approach of IFAD's new operating model for addressing a variety of diverse functions anchored on an investment project.

2. The formulation of the COSOP was a participatory process involving consultations with a broad cross-section of stakeholders. The COSOP mission worked under the overall guidance of the Ministry of Finance and Economic Development and also liaised closely with: (a) the coordinator of the Rural Diversification Programme (RDP) and the RDP coordinator on Rodrigues Island; (b) the Ministry of Agro Industries and Fisheries; (c) the Ministry of Women's Rights, Child Development, Family Welfare and Consumer Protection; (d) the Development Bank of Mauritius; (e) the Industrial and Vocational Training Board; (f) the Trust Fund for the Social Integration of Vulnerable Groups (TFSIVG); (g) the Small and Medium Industries Development Organization; (h) the Rodrigues Regional Assembly; (i) the United Nations resident coordinator; and (j) the European Union (EU) delegation.

3. The COSOP builds on the experience of IFAD and its partners in Mauritius, as well as the lessons learned through poverty reduction initiatives in other small island developing nations, IFAD's Strategic Framework 2002-2006, regional strategy for Eastern and Southern Africa and Performance-Based Allocation System. The document reflects on the challenges of dealing with persistent pockets of rural poverty in a country that has generally experienced substantial improvements in living standards and on the structural adjustment pressures now being experienced in relation to the loss of market access for two major sectors of the rural economy, textiles and sugar.

4. An earlier draft of the COSOP (July 2005) was reviewed and endorsed by the Cabinet of the Central Government and the Rodrigues Regional Assembly. The draft was also considered at a stakeholders meeting on 29 August 2005 and discussed in a number of other meetings with key organizations. There is a high level of agreement with the overall strategic thrust of the COSOP and the role of IFAD in the effort to reduce rural poverty.

II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

A. Country Economic Background

5. Mauritius is a development success story. GDP at independence in 1968 was USD 260 per capita, reached USD 4 910 in 2004 and is expected to top USD 5 000 in 2005. Fuelled by booming exports, Mauritius has become an upper-middle-income country. Tourist arrivals have risen by about 45% in the past decade. The Government is encouraging foreign investment, particularly in financial services and information technology. Rapid economic growth and strong social policies have translated into longer life expectancy, lower infant mortality and a significant reduction in poverty.

¹ See Appendix I for additional information.

6. The population is 1.2 million and over 40% urban; the literacy rate is 84%, and life expectancy at birth is 72 years. Most of the population lives on Mauritius Island, where the population density is 600 persons per km². The population of the other main island, Rodrigues, is about 36 000. The country is a parliamentary democracy, with a good record of political stability and cooperation between government and civil society. A recent amendment to the Constitution has granted a large degree of autonomy to the government of Rodrigues. Consultations with NGOs, trade unions and business organizations are standard practices of the Government. NGOs have been closely associated in the preparation and implementation of the Action Plan for Poverty Alleviation, the Economic Agenda for the New Millennium, and the National Action Plan against HIV/AIDS.

7. The key ingredients of the country's success have been a stable democracy and the rule of law, ethnic harmony, economic stability, equitable social progress and a coherent strategy to compete internationally in labour-intensive activities, a flexible exchange rate policy, a low-tax environment and efforts to attract foreign investment. The Government's development strategy centres on expanding financial institutions and building a domestic information and telecommunications industry. Mauritius has attracted more than 9 000 offshore entities, many aimed at commerce in India and South Africa, and investment in the banking sector alone has reached over USD 1 billion.

8. Mauritius is an extreme outlier compared to the 21 other countries of the Eastern and Southern Africa region. It has the highest GDP per capita and low population, but high population density; agriculture accounts for only 5-6% of GDP; extreme rural poverty is rare; infrastructure and communications are well developed; health and education services are good; HIV/AIDS incidence is low; and the economy is robust and rapidly modernizing. Donor support is declining, although IFAD retains a high profile via the ongoing RDP. Despite these differences, IFAD's three strategic objectives² and the three cross-cutting principles embodied in IFAD's regional strategy (targeting, empowerment and accountability) remain highly relevant to Mauritius. In relation to rural poverty, the key distinction between Mauritius and the region is that the main opportunities for rural poverty reduction lie in: (a) the sustainable management of marine resources, linked to environmental issues; (b) improving the vocational skills and employability of the rural poor in the growing sectors of the economy (services, construction and tourism); (c) diversifying agricultural production and improving market linkages; and (d) small- and micro-scale income generation, generally through non-agricultural pursuits.

9. Economic growth has been driven by exports, facilitated by preferential access to the EU sugar market and supplemented by manufacturing and tourism. Good export earnings have provided the resources for economic diversification, also export oriented, and for improvements in health, education, water supply, etc. However, this situation is likely to change due to two major factors: (a) the reduced prices available under the EU sugar quota and (b) worsening of the competitive capacity of many industries, particularly textiles, faced with expiry of the multifibre agreement. The challenge is to maintain the economic growth rate through: (a) higher productivity and human capital development; (b) investment in a second generation of industries that are more well suited to the country's comparative advantage; (c) welfare state reform that ensures a focus on the neediest; and (d) reform to reduce the size and increase the productivity of the civil service.

10. In 2003, only 9.4% of the workforce was engaged in agriculture, compared with 27.1% in manufacturing and 14.3% in wholesale and retail trade. Over the 1999-2003 period, agricultural employment declined by 19%, with most of the reduction taking place in the sugar sector. Manufacturing employment also declined by 6%, with most of the job losses taking place in the export processing zone. Job losses in this sector have escalated in recent years due to the closure of textile enterprises. Total employment has been flat, and unemployment has increased to almost 10%.

² The three objectives are: (a) strengthening the capacity of the rural poor and their organizations; (b) increasing access to financial services and markets; and (c) improving equitable access to productive natural resources and technology.

However, despite declining manufacturing employment, industrial output is growing at a solid 8% per annum. The main exports are clothing and textiles, sugar, cut flowers and molasses. Employment in the tertiary sector has been growing, notably in hotels and restaurants, construction, wholesale and retail trade, public administration and education. The structural changes reflected in these employment trends have occurred at the expense of the agricultural and industrial workforce, which generally lacks the skills needed in the growth sectors.

11. In response to these challenges, the Government has embarked on the New Economic Agenda. Its three key objectives are: (a) to increase competitiveness; (b) to bring about deeper social development and social cohesion; and (c) to preserve and protect the environment. The agenda is expected to diversify the economy into a high-skill services economy endowed with modern infrastructure and an efficient public sector delivering quality services. It is also expected to provide more opportunities for those who have not fully benefited from the country's economic performance, as well as groups that may be negatively affected by structural change.

12. The incidence of HIV/AIDS is low, but increasing steadily and must be taken as a serious risk. The current priority is on preventative measures, including awareness-raising and training in HIV/AIDS and other basic health and hygiene matters.

B. Agricultural Sector

13. Mauritius is located in the southern Indian Ocean at latitude 20 degrees south. The main island is volcanic in origin and is surrounded by coral reefs. About half of the island is arable, and most of it is planted with sugar cane. Agriculture represented only 5-6% of GDP in 2001-2004. This represents a continuing decline from around 30% in the early 1970s, dropping to around 13% in the late 1980s. Sugar (growing, milling and transport) represents nearly 70% of the GDP generated by agriculture and related activities. Food crops generate around 12%, and livestock and poultry production accounts for a further 9%. The remaining 9% are divided among fishing, fruits, flowers, forestry, tea and tobacco.

14. The distinction between rural and urban households is unclear. On Mauritius Island, apart from Port Louis and its surroundings, almost everyone lives in villages where they are engaged in part-time farming, combined with employment in the manufacturing and service sectors. Rural households are rarely fully dependent on agriculture. However, coastal communities tend to be isolated from the sugar lands and off-farm employment opportunities and remain heavily dependent on fishing for subsistence and cash income.

15. On Rodrigues Island, almost all households outside Port Mathurin are regarded as rural and dependent on subsistence agriculture, fishing, microenterprises and part-time (mainly government) employment. Rodrigues has about 12 500 economically active persons in a total population of 36 000, and about 45% are involved in agriculture, fishing and other primary activities. Many rural households also have members with part-time jobs in other sectors of the economy. Public-sector employment represents approximately 30% of the total workforce.

16. There are three readily identifiable agricultural subsectors: sugar, non-sugar agriculture and livestock, and marine products. The sugar sector dominates land use on Mauritius Island, but is absent on Rodrigues. It comprises estates, as well as smallholdings; the latter are mostly less than 1 ha. Efforts to encourage crop diversification in the sugar farming system have so far made little progress. The development of piped irrigation systems, supported by IFAD, the African Development Bank and the EU, is contributing to crop diversification initiatives, and the expected sharp decline in sugar prices will give a further boost to diversification within the context of the non-sugar sector strategic plan 2003-2007.

17. On Mauritius Island, about 2 800 fishers are engaged in catches in the coastal lagoon and on the edges of the reef. Another 1 900 are engaged in fishing on the island of Rodrigues; this includes about 750 local women who collect octopus on the reef. The artisanal catch constitutes about 20% of production. About half of the artisanal catch is reputed to be in the lagoon and the rest off-lagoon. The lagoon resources are being depleted as recreational, amateur and tourist fishing compete for resources. In Rodrigues, the output of octopus fishing has declined, as stocks are being exhausted. In response to declining catches and resource concerns about the lagoon, the Government has regulated fishing through various measures and is attempting to relocate the artisanal fishing effort offshore, supported by the creation of fish aggregating devices and the upgrading of boats and gear. All professional fishers are subject to registration, and a closed season has been introduced. However, recreational fishing is much harder to regulate due to the large number of participants.

C. Rural Poverty

18. There is a widening gap between households engaged in the expanding sectors of the economy and those that have been unable to do so for various reasons. This has left pockets of poverty throughout the country containing households that are vulnerable to further pressures imposed by environmental deterioration, structural change and global competition. The most vulnerable groups include: (a) rural households dependent on sugar or employment in the textile sector; (b) lagoon fishers affected by declining catches and competition with other users; (c) immigrants and peri-urban dwellers who have been unable to integrate economically; (d) isolated households (mainly on Rodrigues) that lack marketing and employment opportunities; (e) poorly educated single-parent households; (f) rural youth, especially school dropouts; and (g) households affected by HIV/AIDS.

19. The causes and nature of rural poverty in Mauritius differ from the factors in other countries of the region: the rural poor consists of those people who have been left behind in the industrialization process or who are at risk as Mauritius moves towards a post-industrial economy. Poverty is concentrated on Rodrigues, with almost 40% of the population considered poor, and several regions of the main island, with around 10% classified as poor. Other pockets of poverty are scattered around as a result of mounting unemployment. Women-headed households make up an important percentage of the poor, have much higher rates of school dropouts and run serious risks of social exclusion. Another disadvantaged group is the Chagossians who were resettled from the Chagos Islands (including Diego Garcia) some 30 years ago and have never fully integrated into Mauritian society.

20. There has been a substantial improvement in living standards across much of the country. The relative development index estimated on the basis of the population and housing census showed that the number of village council areas with an index below 0.6 decreased from 64% of the total to 9% between 1990 and 2000. Despite this impressive achievement, there is still a substantial minority of very poor households in rural areas. The standard poverty benchmark of MUR 6 000 per month in household income translates to around USD 1.40 per person per day for a five-person household.

21. Structural changes are placing serious pressure on already poor households and causing others to slip backwards. On the island of Mauritius, the two major factors are the expected major decline in sugar prices and the factory closures in the textile industry. Most of the textile workers have been rural women. Employment in the textile factories and sugar mills has already dropped by some 23 000 (4% of the total workforce), with further losses expected. Many of these job losses have occurred in rural areas, where household incomes are also under pressure from falling sugar prices, the declining inshore (lagoon) fish catch and the prohibition against lagoon sand mining activities.

22. On Rodrigues, the characteristics of rural poverty are different and more difficult to deal with. Rodrigues has not participated in the export manufacturing sector or significant tourism development and has never had a sugar industry. The island is heavily dependent on subsistence agriculture, livestock rearing and lagoon fishing. Coastal fishing communities are at risk from hurricanes,

tsunamis and the rising sea level. There are some small-scale industries, mainly supplying the local market. Agriculture is threatened by soil erosion, overgrazing, droughts and cyclones, and the lagoon fisheries are under heavy pressure. School drop-out rates and unemployment rates are high, and there is a tendency for the most ambitious people to emigrate in search of a better life.

23. The Government is aware of the need to offset the potential weakening in the process of economic development as described in several documents: (a) “Vision 2020: The National Long-Term Perspective Study”; (b) the “National Strategy for Sustainable Development 1999-2005”; and (c) the “Economic Agenda for the New Millennium”. Proposed measures include further diversification of the economy by strengthening the education system, attracting foreign investment and the accelerated development of tourism, regional financial services and targeted investment for poverty reduction, including support for microenterprises and microfinance institutions. The President’s address to the first session of the Fourth National Assembly and the Minister of Finance’s speech to Parliament on 30 August 2005 reconfirm the newly elected government’s commitment to these goals.

D. Constraints on and Opportunities for Rural Poverty Reduction

24. There are poor households dispersed throughout the rural areas, making it difficult to focus poverty reduction measures on specific communities. Moreover, the poor households are generally landless or have very small landholdings, have low levels of education and are least able to adapt to a modernizing economy. At prevailing world prices, smallholder sugar-cane growing is no longer a viable proposition, and efforts to diversify farming systems need to be intensified. However, the small size of the domestic market and the high cost of export market access mean that diversification opportunities must be carefully selected and combined with market development initiatives. Poor households in coastal communities face the further constraints arising from the overexploitation of lagoon fishing and the competition among subsistence, commercial and recreational fishers and tourism development. The peri-urban poor are particularly vulnerable because they have neither agricultural/marine resources, nor the education and skills needed to participate in the growing commercial sector.

25. The capacity of Mauritian institutions to address these problems is constrained by the unsustainable fiscal deficit, the current economic slowdown and declining support from donors. Agricultural extension services have been remodelled, but face major challenges in agricultural diversification, irrigation development and the sustainable management of marine resources. Microfinance and microenterprise initiatives have a modest success record, but there is a lack of small and medium-sized enterprise (SME) service providers and NGOs with the capacity to act as financial intermediaries.

26. On Rodrigues, there are additional constraints, including extreme isolation and the lack of employment opportunities in rural areas, especially for youth. The Rodrigues regional assembly is the only major employer on the island; there is no manufacturing industry, and tourism development is only beginning. The very high population density also places severe pressure on land and marine resources; soil erosion, lagoon siltation and the declining fish catch are the most serious environmental problems.

27. Fortunately, Mauritius is also faced with a number of opportunities for rural poverty reduction arising from the potential for rural households to establish income-generating activities at the microenterprise and SME level and upgrade their skills to take advantage of growing employment opportunities in the service economy, construction and tourism. However, this will require an intensified vocational training programme that is affordable and accessible to the rural poor. There is also an opportunity for small-scale commercial agricultural, livestock and aquaculture and mariculture enterprises to fill gaps in the domestic market and for exports of high value fruits, vegetables and

flowers. The enabling environment for rural commercial development is generally favourable, with good infrastructure and communications, strong commercial linkages between rural and urban areas, the increasing availability of piped irrigation water and the sound legal and regulatory framework.

28. Mauritius has a professional civil service with a high degree of accountability and transparency, although there is scope for improvements in effectiveness and efficiency. There is a clearly defined action plan for poverty reduction and a mechanism for supporting community development and microenterprises via the TFSIVG. There is potential for IFAD to add value to other rural poverty reduction initiatives such as the EUR 13.5 million (USD 16.3 million) EU-supported Decentralized Cooperation Programme, which will support community and microenterprise development to be implemented over a four-year period through non-state actors such as NGOs, community-based organizations (CBOs), trade unions and village councils.

29. On Rodrigues, the need for rural poverty reduction is greater, but opportunities are harder to find, and there are marine resource management issues needing urgent attention in order to protect this unique environment. However, there is a high degree of social and community cohesion and a number of successful microenterprise and community development initiatives that can be expanded or replicated. Income-generating opportunities are limited by the size of the local market, but the huge lagoon provides opportunities for high value mariculture and seaweed growing. The regional administration is now fully established and is in the process of formulating the Sustainable Integrated Development Plan, which will provide a framework for rural poverty reduction initiatives.

E. National Strategy for Rural Poverty Reduction

30. The essential feature of the COSOP is support for attainment of the Millennium Development Goals and implementation of the Government's national poverty reduction strategy as reflected in the New Economic Agenda, the Action Plan for Poverty Alleviation and the Economic Agenda for the New Millennium. There is a high degree of congruence between the government strategy and the Strategic Framework for IFAD 2002-2006, which emphasizes partnerships among governments, development institutions and NGOs to promote conditions in which the poor can use their own skills and talents to work their way out of poverty. The Government has employed three main instruments to execute its rural poverty reduction strategy.

- The TFSIVG was established in 1999 with a total budget of MUR 500 million (USD 17.9 million) and a mandate to alleviate poverty wherever it exists. It supports community-based projects implemented through NGOs and CBOs and operates a microcredit scheme and a loan scheme to assist students from poor households. The TFSIVG includes a network of field workers and social facilitators and had approved projects valued at MUR 302 million by December 2004.
- The EU-funded Micro Project Programme for Poverty Alleviation, initially scheduled for a period of three years from September 1999 to August 2002, was extended for two years up to August 2004. The programme focused on three intervention sectors: (a) social infrastructure; (b) income-generating activities; and (c) education and vocational training support and capacity-building. Both grant and microcredit financing mechanisms were used within a total budget of EUR 3.8 million (USD 4.9 million).
- The IFAD RDP (see section III below).

III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY

31. Mauritius became a member of IFAD in 1979. Since that time, the Fund has supported two projects. The Small-Scale Agricultural Development Project was funded by a loan of SDR 5.2 million and closed in 1991 fully disbursed. The ex-post evaluation concluded that the project had achieved good results and contributed substantially to improving the living conditions of the target group. The evaluation noted that: (a) the target group is interspersed throughout the economy; this calls for specific targeting criteria to benefit the poor; (b) sustainability requires active beneficiary participation at every stage of the project cycle; (c) NGOs and other financial intermediaries should be engaged to complement the work of the Development Bank of Mauritius; and (d) there should be a framework for monitoring and evaluation based on the participation of project beneficiaries.

32. The RDP became effective in April 2000 and is scheduled for completion in June 2006. The total cost is USD 16.6 million, which is financed by an IFAD loan of SDR 8.2 million, the Government and beneficiaries funding the balance. A mid-term review undertaken in 2004 found that the speed of implementation was below expectations and highlighted the fact that, after four years, no monitoring and evaluation system had been put in place. On the other hand, compliance with financial reporting and audit procedures has been satisfactory. Disbursement has reached 43%, and the long-delayed irrigation component is now proceeding satisfactorily. Disbursements are expected to reach around 80% by scheduled completion. A monitoring and evaluation system is being established, but there are continuing difficulties with the microenterprise/microfinance component and delays in a number of other activities. The mid-term review concluded that, "The impact of the RDP is discernibly felt but there is a need to sustain the momentum generated so far through appropriate services and support facilities to consolidate the gains. In this context, continuation of the RDP is socially and economically justifiable."

33. The main lessons drawn by the mid-term review are: (a) the targeting and selection of target groups have been implemented according to the appraisal report, but forward and backward linkages need to be considered so as to ensure the viability of activities; (b) marketing constraints have affected the performance of the microfinance portfolio; market surveys should be undertaken and shared with microentrepreneurs to ensure investment sustainability; (c) a high turnover among project staff has hampered implementation; staff training, capacity-building and skill upgrading should receive top priority, and staff salaries and allowances should be at a par with market rates; (d) implementing agencies have slowly acquired the necessary skills in rural poverty reduction projects; future projects will need to include capacity-building support for implementing agencies so as to ensure the timely implementation of projects; and (e) Rodrigues should be given special focus, and its problems in staff shortage, capacity constraints and the flow of funds should be resolved to ensure full impact.

34. The COSOP also takes note of a number of general lessons that should be considered in the design of a future IFAD-supported rural poverty reduction strategy. These include: (a) the importance of sustainable marine resource management in the livelihoods of coastal communities, the future of the tourism industry and the maintenance of biodiversity; (b) the importance of vocational training in improving the employability of the majority of the rural poor who are not entrepreneurially inclined; (c) more work is needed to develop a sustainable microfinance system; and (d) irrigation development is not a particularly effective poverty reduction instrument because of the very high investment costs.

35. Foremost among the lessons learned is the need for highly focused investment projects with a more manageable number of components and implementing agencies that provide clear lines of responsibility and that are implemented within standard government systems and procedures. In this regard, the COSOP notes the Government's preference to move towards sectoral budget support as a funding mechanism, as is now the case with World Bank and EU programmes. This also fits with the Government's move towards a system of budget allocations based on medium-term sectoral expenditure frameworks.

IV. STRATEGIC FRAMEWORK FOR IFAD

A. IFAD's Strategic Niche and Proposed Thrusts

36. **Strategic focus.** IFAD and the Government are moving towards a new form of partnership that is different from the standard model that applies for low-income countries and that has been followed in Mauritius until the present time. This recognizes that: (a) Mauritius now has significant domestic resources to deal with rural poverty, and (b) project finance is likely to become a less important part of the relationship under IFAD's new operating model, which incorporates a more diverse range of instruments within the overall programmatic approach. The COSOP highlights the priority areas for engagement and proposes that IFAD's role should evolve towards a more differentiated approach, including policy dialogue, knowledge management and sharing, and partnership-building.

37. The COSOP defines areas where IFAD can add value to the Government's policies and programmes in rural poverty reduction, bringing with it the experience gained and lessons learned in other small island developing states. In this regard, it will include a strong focus on Rodrigues, where the incidence of rural poverty is highest, but will not overlook remaining pockets of rural poverty on Mauritius Island, where the largest number of the rural poor are found. The **goal** is to contribute to improved livelihoods and incomes among poor rural households on Rodrigues and in selected village council areas of Mauritius with the highest incidence of poverty. Within this overall goal, the **objective** is to help poor rural households adapt to and benefit from economic restructuring by improving their ability to participate in the rapidly growing sectors of the Mauritian economy.

38. **Targeting the rural poor.** The proposed strategic focus recognizes that, while there are many worthwhile steps that can be taken to alleviate rural poverty, the key to realizing this potential is to design implementation modalities that are responsive to stakeholder needs. Such needs and the responses to them differ markedly from place to place within the country and call for an approach that allows different instruments to be deployed in different circumstances. In particular, women and youth are heavily represented in the priority areas and among the affected groups identified below, and special initiatives to assist the large number of former textile workers will predominantly benefit women. In addition, the programme on Rodrigues should be distinguished from that on Mauritius Island due to the different causes and characteristics of rural poverty, the opportunities available and the administrative systems in the two places.

39. Strategies to target the rural poor will include: (a) selecting village council areas and smaller pockets of people with large numbers of poor households; (b) targeting areas where households face the very real risk of sliding into poverty following manufacturing job losses or declining incomes from sugar or fishing; and (c) self-targeting mechanisms, such as basic literacy and vocational training, that are likely to be of particular interest to the poor, but less interesting to the more well off. The information base to enable identification of the most vulnerable groups is relatively good, and recent and current socio-economic studies on retrenched textile workers and small sugar cane planters provide valuable new information to assist the targeting process. The COSOP also proposes a major initiative relative to the marine environment, which is a vital issue for the livelihoods of coastal communities and for the maintenance of biodiversity.

40. **Priority areas.** the priority areas for the COSOP relating to rural poverty in Mauritius and Rodrigues are as follows:

Priority Areas	Affected Group
<ul style="list-style-type: none"> Continuing high concentration of poverty on Rodrigues and the poorest village council areas on Mauritius Island. 	<ul style="list-style-type: none"> Households with less than MUR 6 000 per month income on Rodrigues and Mauritian village council areas with the lowest relative development index; about 25 000 households are in these categories.
<ul style="list-style-type: none"> Loss of manufacturing industry jobs in rural areas and rising unemployment. 	<ul style="list-style-type: none"> Retrenched textile workers (mainly women) and sugar factory workers living in rural areas and their families; more than 20 000 households have so far been affected by job losses.
<ul style="list-style-type: none"> Coastal communities with heavy dependence on in-shore marine resources. 	<ul style="list-style-type: none"> Artisanal and small-scale commercial fishers and their families, including some 750 women fishers on Rodrigues, under threat from the proposed regulation of octopus fishing. Households (about 3 000) formerly engaged in lagoon sand mining.
<ul style="list-style-type: none"> Declining sugar prices placing downward pressure on smallholder sugar-grower incomes. 	<ul style="list-style-type: none"> Around 30 000 small sugar cane planters and their families; many are also affected by the loss in manufacturing jobs.

41. **Proposed thrusts.** In order to address the priorities indicated above and meet the needs of those affected, the COSOP proposes three main thrusts: (a) poverty alleviation through the enhanced management of marine resources; (b) support for the implementation of the country's non-sugar sector strategic plan; and (c) technical and vocational training to improve employment prospects for poor and vulnerable households. These are elaborated further in section IV.B below.

42. **Environmental issues.** Mauritius is a small and densely populated country facing significant challenges in environmental management. The most heavily threatened environmental feature is the lagoon surrounding both main islands. It is a vital tourism asset and the basis for the livelihoods of most of the coastal population. There is an urgent need to create new income-generating alternatives for coastal dwellers. The Rodrigues lagoon is also under pressure from siltation and over-fishing, and there is a need to curtail octopus fishing, which is an important source of income. This would create the need for new and more sustainable means of livelihood for poor coastal communities, including fish farming or seaweed culture within the lagoon, possibly integrated with eco-tourism.

B. Main Opportunities for Innovations and Project Interventions

43. There are a number of opportunities that can be considered in addressing the priority areas identified above, some of which are already in place. For **Mauritius Island**, these include: (a) initiatives to connect poor rural households to the growing sectors of the economy (tourism, construction and services) in order to compensate for the shrinking opportunities in agriculture, fishing and rural manufacturing industries; (b) support for the establishment of microenterprises, including microfinance and business development support services; (c) support for rural SME development so as to provide employment opportunities for poor households; (d) functional literacy and vocational training to provide the skills needed to make the rural poor more employable in the growing SME, tourism, construction and services sectors; (e) looking beyond agriculture and fishing as a basis for rural livelihoods by providing the skills needed to participate in the growing sectors of the Mauritian economy; (f) capacity-building among vocational training institutions, micro- and SME finance, and business development service providers in rural areas; (g) support for CBOs in order to enhance the enabling environment for rural income-generating enterprises and off-farm employment; (h) consolidation among small sugar cane farms that are no longer commercially viable; and (i) diversification of the rural economy in sugar-growing areas so as to create new job opportunities for smallholder sugar farmers, including a move towards part-time farming.

44. The different causes and characteristics of rural poverty on **Rodrigues Island** call for different poverty reduction strategies. These will form part of the Sustainable Integrated Development Plan for Rodrigues that was recently launched by the Rodrigues administration with the support of the United Nations Development Programme. In addition to the strategies suggested for Mauritius Island, possible strategies for Rodrigues include: (a) an integrated rural livelihoods and environmental management programme for the marine resources of Rodrigues involving a number of measures such as lagoon mariculture, seaweed culture and off-lagoon fishing; (b) the relaunch of the microfinance/microenterprise initiative based on the positive experiences of the former United Nations Development Programme microfinance initiative and the lessons learned from the RDP microfinance programme; and (c) special programmes for school leavers to assist them in identifying self-employment opportunities and acquiring the skills to become successful.

45. **Available instruments.** Many of the instruments of rural poverty reduction are already being utilized in Mauritius and Rodrigues or could be deployed or reinforced within the context of IFAD's country strategy. The following is a list of possible instruments that can be considered:

- further support for community development, microfinance and microenterprise development, possibly via the TFSIVG;
- technical and vocational training programmes for poor households and retrenched manufacturing workers to improve their employability and entrepreneurial skills;
- planned redundancy programmes (e.g. job fairs) for rural workers in manufacturing enterprises facing downsizing or closure;
- enhancement of the capacity of business development service providers to support rural SMEs and microenterprises;
- improving the enabling environment for the employment of rural people (e.g. information about job vacancies, public transport, childcare, etc.);
- improving the enabling environment for rural microenterprises and SMEs (e.g. licensing procedures, one-stop shops, financial services, market information, telecommunications, etc.);
- raising community awareness of microenterprise concepts through the training of trainers and secondary school programmes;
- feasibility studies, business plans and pilot programmes to test and demonstrate new income-generating opportunities (e.g. seaweed culture on Rodrigues); and
- improved research and extension services and small grants to support crop diversification and water user associations for smallholder sugar cane planters.

46. **Possible project interventions.** Given existing donor- and Government-sponsored activities relating to microfinance, microenterprise development and community development, there is no justification for further IFAD support in these areas beyond the life of the ongoing RDP. Instead, three main intervention opportunities have been identified, as follows.

47. An integrated **marine resource management and livelihoods programme** for coastal communities threatened by the overexploitation and pollution of the marine environment. This could take place on both Mauritius and Rodrigues. Activities that could be considered under such a programme encompass:

- testing and demonstrating innovative means of generating income from the lagoons, including the production and processing of seaweed and cage mariculture;

- assistance for fishers in converting to off-lagoon fishing and the training of fishers in sustainable fishery management;
- special measures to assist persons affected by the prohibition against sand mining and the proposed closure of the octopus fishery on Rodrigues;
- improved capacity for regulating and controlling the sustainable utilization of marine resources, including beaches, lagoons and reefs;
- the production and release of fingerlings to restock depleted lagoon fisheries;
- other technical and vocational training programmes for coastal communities to improve their prospects of gaining employment in the coastal recreational and tourism sectors;
- improved solid and liquid waste management to reduce the pollution of the coastal environment;
- measures to resolve conflicts over the use of marine resources among artisanal, commercial and recreational fishers and tourism operators;
- marine eco-tourism development to preserve biodiversity and provide alternatives to the consumptive uses of marine life; and
- the de-silting of badly affected lagoon areas and the prevention of further damage caused by siltation.

48. Support for the effective implementation of the Government's **non-sugar sector strategic plan** to accelerate the diversification of sugar farming systems. The plan identifies a large number of opportunities to help maintain farm incomes in the face of declining sugar prices, but many of these have not yet been tested and demonstrated in rural areas. So far, there has been a reluctance to move away from sugar due to the risks associated with change and the concerns about marketing and prices. But the situation is becoming critical, and there is a very real risk that small sugar-planters will slide backwards into poverty if they do not begin diversification soon. A useful instrument to support diversification would be an agricultural diversification grant facility to reduce the risks involved in testing unfamiliar production and marketing activities. Such a facility could provide small grants to NGOs, CBOs, water user associations, etc. in order to test and demonstrate new agricultural and livestock enterprises and develop marketing arrangements. Rodrigues does not have a sugar industry, but the plan also covers agricultural diversification on Rodrigues.

49. A **technical and vocational training programme** to improve employment prospects for poor and vulnerable households, especially young people and those affected by job losses in the manufacturing and sugar processing sectors. This would require a new approach to vocational training, which is currently based on full-time study in training centres operated by the Industrial and Vocational Training Board. The new approach may involve:

- identifying niches in the labour market that could be filled by retrenched manufacturing workers or part-time farmers, subject to further training or retraining;
- developing technical training curricula suitable for poorly educated persons, including basic literacy and numeracy where necessary;
- bringing training to the rural areas through the use of mobile training units³ to deliver short part-time training courses that allow trainees time to continue with other domestic and agricultural work;

³ The Industrial and Vocational Training Board already has one mobile training unit in operation and has plans to purchase five more, but is unable to satisfy the demand for training services in rural areas.

- making employers aware of the availability of trained persons and assisting trainees to find jobs after completion of the courses; and
- assisting rural communities to access the labour market through investments in childcare facilities, telecommunications and transport.

50. **Expected outcomes.** By supporting the Government's current and planned initiatives in rural poverty reduction, IFAD expects that these proposed interventions will deliver the following outcomes:

- strengthened policies for marine environmental protection and sustainable rural poverty reduction in coastal communities and the remaining pockets of high poverty incidence, with emphasis on Rodrigues and the areas most negatively affected by manufacturing industry retrenchment;
- assistance for smallholder sugar cane and other farmers in diversifying into higher value crop and livestock enterprises;
- help so that men and women members of the poorest households on Rodrigues and Mauritius can acquire the skills and other resources needed to obtain employment or establish successful rural microenterprises; and
- to improve their employability or entrepreneurial skills, the retraining of rural women (mainly) retrenched from textile enterprises.

C. Outreach and Partnership Possibilities with NGOs and the Private Sector

51. There are expanding opportunities for building improved linkages with private sector organizations, including banks, microfinance institutions, insurance companies, cooperative credit unions, other financial intermediaries, input suppliers, water user associations, and NGOs and CBOs in order to stimulate private investment in rural areas. Stimulating investment in rural SMEs will increase employment opportunities among the target groups. Similarly, efforts to improve supply chain linkages between rural farm and non-farm enterprises will engage a number of potential actors, including small rural traders, as well as medium- and large-scale commercial ventures. Examples of such collaboration are fair trade and organic farming intermediaries, cut flower traders and seaweed processing and refining companies. The relatively well-developed commercial sector means that the opportunities for the outsourcing of goods and services currently supplied by the public sector are also growing.

D. Opportunities for Linkages with Other Donors and Institutions

52. The small number of donors currently active in Mauritius and the trend towards sectoral budget support means that aid coordination is relatively straightforward. All internationally financed programmes are managed through the Ministry of Finance and Economic Development. Each programme or project has its own steering committee. The Director General of the ministry is a member or the chair of most of the steering committees and is therefore in an ideal position to coordinate externally financed activities.

53. Microenterprise development and community infrastructure will be adequately supported by the forthcoming EU Decentralized Cooperation Programme and the ongoing activities of the RDP and the TFSIVG. Together, these programmes will disburse around USD 8 million per annum on loans and grants via NGOs and CBOs. While these programmes do not specifically target rural areas, they do have a poverty focus and will provide a very solid funding platform that will complement possible IFAD initiatives in the areas of marine resource management, crop diversification and technical and vocational training.

54. Support for Rodrigues will be planned in conjunction with the Sustainable Integrated Development Plan for Rodrigues. The plan recognizes the opportunity for promoting economic growth, while maintaining and enhancing the quality of the environment and striving for a more sustainable pattern of development. The objective is integrated development planning that contributes to employment creation, poverty reduction, improved standards of living and the sustainable use of natural resources. Two outputs will be produced: (a) a strategy and an action plan and (b) a strong Economic Planning and Monitoring Unit that will be responsible for implementing the plan and will track and report on the sustainable development approach.

55. The COSOP is also consistent with the Programme of Action for the Sustainable Development of Small Island Developing States. The programme provides a blueprint for addressing the specific challenges facing small islands and taking into account the economic, social and environmental aspects that are the pillars of sustainable development. The January 2005 meeting to review the programme of action was held in Mauritius, and it issued a declaration reaffirming the continuing validity of the programme, including its emphasis on governance and capacity-building, human resources, trade, biodiversity and the sustainable use of marine and land resources, cultural identity and health issues.

56. The COSOP also reflects the main thrusts in the New Partnership for Africa's Development that incorporates the Comprehensive Africa Agricultural Development Programme. The programme is the blueprint for the partnership's involvement in agriculture and provides a general framework for agriculture and rural development. In January 2005, the Investment Centre of the Food and Agriculture Organization of the United Nations, working under the auspices of the partnership, formulated a national medium-term investment plan for the Mauritian agricultural sector that identified six bankable investment projects: (a) agricultural diversification (integrated processing and marketing); (b) the Mauritius agricultural information system; (c) the Sustainable Land and Water Management Project; (d) the Community Development and Poverty Alleviation Project; (e) the Mauritius Agricultural Biotechnology Institute; and (f) strengthening the agro-processing capacity of Rodrigues. Many of these project ideas are consistent with the objectives of the COSOP and could be further developed with IFAD support.

57. The World Bank Country Assistance Strategy provides budget support for implementation of the Economic Agenda for the New Millennium, including public-sector reform loans timed to coincide with the government budget cycle. All project-specific lending is being phased out. The EU is also moving towards budget support through a recently signed financing agreement for EUR 29.9 million for wastewater treatment that would complement IFAD-supported initiatives in marine resource management.

E. Areas for Policy Dialogue

58. **Marine resource management.** The proposal to focus IFAD support on marine resource management and livelihoods raises complex policy dilemmas concerning the interaction among environmental, development and social welfare policy. Environmental management challenges also affect the livelihoods of rural households, as well as the growing tourism sector, which relies heavily on the natural beauty of the environment. Utilization of the beaches, lagoons and reefs presents particularly complex policy issues. Coastal communities are among the poorest in Mauritius, but face increasing competition from tourism, commercial and recreational fishing and the tightening of regulations designed to prevent overexploitation. Efforts to assist these communities need to make a clear distinction between social welfare instruments and measures to boost income generation and employment. At the same time, there are issues with lagoon siltation and lagoon water quality from wastewater. The management of the marine environment is particularly important on Rodrigues, where coastal communities have few alternative income-generating opportunities.

59. A second area for policy dialogue is **microfinance** and micro- and small enterprise development. The record of sustainability of microfinance funds and micro- and small enterprise development ventures has generally been poor. IFAD's global experience in these areas⁴ could make a valuable contribution to policy development in Mauritius. There are also potential synergies between microfinance/micro- and small enterprise development policy and the environmental/economic/social complex, for example, income-generating activities to be supported under the proposed marine resources and non-sugar sector strategic plan initiatives will require some form of financial facilitation in order to reach the poorer segments of the rural community.

F. Action Areas for Improving Portfolio Management

60. The RDP is continuing to undertake its work programme and incorporate programme activities within the ongoing operations of the implementing agencies. IFAD is also supporting efforts to establish a simple and workable monitoring and evaluation system and will assist the RDP implementing agencies in acquiring further experience in managing rural poverty reduction programmes.

G. Tentative Lending Framework and Rolling Programme of Work

61. **Transition to a new programme.** The Government and the stakeholders have expressed a preference for the marine resource management and livelihoods initiative with a focus on Rodrigues, with the possibility of also including aspects of the non-sugar sector strategic plan.⁵ A number of the possible components contained in these initiatives could be considered as extensions of ongoing RDP activities. It would be useful to begin the pilot testing of crop diversification during the remaining life of RDP by working through the water user associations of the RDP irrigation schemes. The pilot-scale testing of mariculture technologies in the Rodrigues lagoon would also be a useful precursor to wider adoption of these opportunities in the new IFAD-supported programme. It has been agreed that the RDP will take steps to support the focused piloting of several promising crop diversification and mariculture options during the remaining life of the programme.

62. **IFAD resources.** The limited resources likely to be available from IFAD suggest that: (a) non-project forms of engagement (policy dialogue, information sharing, etc.) may be an important part of the future relationship and (b) it may be appropriate to consider financing arrangements whereby the Government is the senior partner (in terms of funding), while IFAD fulfils a smaller-than-usual role. The resources available through IFAD will be grounded on the Performance-Based Allocation System.⁶ An initial system ranking was undertaken in 2004 and reviewed in 2005 as part of the COSOP process. The resources to be provided by IFAD according to the allocation system are regarded as a minimum funding scenario, while the implementation of medium and high funding scenarios will be dependent on the availability of cofinancing. IFAD will make its best effort to assist in identifying cofinancing partners, recognizing also that the Government has a greater capacity to finance a share of project and programme costs than do other countries in the region. Potential cofinancing partners include the Organization of the Petroleum Exporting Countries Fund for International Development, the EU, the Global Environment Facility and the government TFSIVG.

⁴ Refer to IFAD's Rural Finance Policy (2004) and Rural Enterprise Policy (2004).

⁵ Following the recent merging of the agriculture and fisheries ministries, these initiatives would now be confined to a single ministry. This would avoid many of the coordination problems experienced under RDP.

⁶ The system formula includes GDP per capita, the size of the rural population and a number of policy and institutional parameters that are intended to favour countries providing the best enabling conditions for rural poverty reduction.

63. **Form of assistance.** Because Mauritius is a middle-income country, it is clear that the Government is looking to IFAD for more than merely money. Mauritius no longer qualifies for concessional funding; a future loan would be under ordinary terms. However, IFAD will make its best effort to arrange a mix of grant and loan financing in order to reduce the overall cost of the package. The Government has also expressed a wish to move towards a sectoral budget support method of financing whereby the implementing agencies would embed IFAD-supported activities in their annual work plans and budgets to be pre-financed by the Government and reimbursed by IFAD after agreed milestones and trigger points have been achieved. The rationale for this approach is supported by the Government's sound record of accountability and transparency and the desire for more streamlined disbursement procedures using routine administrative channels.

APPENDIX I

COUNTRY DATA

MAURITIUS

		Year	Source
Demography			
Total population	1.2 million	2003	WDI Database a/
Land area (squ km)	2,040	2003	WDI Database
Population density (persons per squ km)	588	2003	WDI Database
Growth rate 1992-2002 (% per annum)	1.1%	2002	UN Population Databook
Population in urban areas (% of total)	43.0%	2003	UN Population Databook
Life expectancy at birth (years)	72	2002	World Health Report
Population under 14 years (% of total)	25%	2003	CIA World Factbook
Health			
Infant mortality rate (per 1,000 live births)	12	2002	WDI Database
Under 5 mortality rate (per 1,000 children)	19	2002	WDI Database
Child malnutrition (% of underweight children <5 years)	15%	1995	HNP Statistics
Child immunisation, measles (% under 12 months)	84%	2002	WDI Database
Prevalence of HIV (% of population 15-49)	0.10%	2001	HNP Statistics
Tuberculosis incidence (per 100,000 people)	65	1999	HNP Statistics
Births attended by skilled health staff (% of total)	98%	1999	HNP Statistics
Education			
Literacy total (% of ages 15 and above)	84%	1999	WDI Database
Literacy female (% of ages 15 and above)	81%	1999	WDI Database
Net primary school enrollment (% of relevant age group)	94%	1999	WDI Database
Net secondary school enrollment (% of relevant age group)	66%	1999	WDI Database
Economy			
GNI (Atlas method, current US\$)	5.0 billion	2003	WDI Database
GNI per capita (Atlas method, current US\$)	4,090	2003	WDI Database
GDP Growth (annual %) 2002	4.4%	2002	WDI Database
GDP Growth (annual %) 2003	3.2%	2003	WDI Database
GDP Price Deflator (annual %)	5.50%	2003	WDI Database
Value added by sector (% of GDP)			
Agriculture	6.0%	2003	WDI Database
Industry	30.9%	2003	WDI Database
Services	63.1%	2003	WDI Database
Trade and Investment			
Exports of goods and services (% of GDP)	59.4%	2003	WDI Database
Imports of goods and services (% of GDP)	56.7%	2003	WDI Database
Gross capital formation (% of GDP)	22.4%	2003	WDI Database
Current account balance (% of GDP)	5.8%	2003	WDI Database
Fixed and mobile telephones (No per 1,000 people)	560	2002	WDI Database
Trade in goods as a share of GDP (%)	86.6%	2002	WDI Database
Trade in goods as a share of goods GDP (%)	193.5%	2002	WDI Database
High-technology exports (% of manufactured exports)	2.3%	2002	WDI Database
Foreign direct investment, net inflows (current US\$)	27.6 million	2002	WDI Database
Debt and Aid Flows			
Present value of debt (current US\$)	1.7 billion	2002	WDI Database
Total debt service (% of exports of goods and services)	8.2%	2002	WDI Database
Short-term debt outstanding (current US\$)	892 million	2002	WDI Database
Aid per capita (current US\$)	20	2002	WDI Database
Aid (% of GNI)	0.5%		

a/ World Development Indicators Database

a

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

APPENDIX I

Gross Domestic Product	1996	1997	1998	1999	2000	2001	2002	2003	2004
GDP (Rs m at market prices)	79,086	88,099	99,564	107,444	119,494	132,218	142,319	157,674	174,900
GDP per capita (US \$)	3,538	3,646	3,577	3,634	3,833	3,786	3,913	4,500	4,910
Real GDP Growth Rate	6.2	5.6	5.7	2.3	9.3	5.6	1.8	4.4	4.2
Agriculture	5.7	3.5	-1.5	-25.8	33.3	7.2	-16.3	1.7	4.9
Sugarcane	11.1	5.0	2.5	-43.9	64.5	9.9	-25.0	3.1	6.5
Manufacturing	6.5	5.9	6.2	2.0	7.9	4.4	-2.4	0.0	0.6
EPZ	7.0	6.0	6.9	6.0	6.0	4.4	-6.0	-6.0	-5.0
Other	4.9	5.2	5.9	5.1	7.0	4.1	4.2	5.8	5.0
Construction	4.8	-0.9	6.0	8.5	7.5	1.5	7.6	11.1	3.1
Hotels & Restaurants	16.0	10.2	6.0	4.0	13.5	1.0	3.2	3.0	2.6
Transport, storage and comm.	7.0	9.0	11.7	7.4	11.4	8.9	6.6	6.1	6.5
Financial intermediation	7.0	8.2	8.3	10.3	14.6	11.0	2.0	7.2	1.0
Insurance	8.0	8.5	6.5	6.0	5.0	10.0	8.0	7.3	5.0
Other (banking incl. offshore)	6.5	8.0	9.2	12.2	18.5	11.4	0.0	7.2	-0.5
Sectoral Share of GDP (%)									
Agriculture	9.0	8.2	7.9	5.2	6.0	6.4	5.6	5.5	5.3
Manufacturing	20.9	20.8	21.1	20.9	20.7	20.7	19.9	18.7	18.0
Tourism	4.6	4.6	4.9	5.2	4.9	5.6	5.3	5.1	5.6
Financial Sector	5.6	5.9	6.6	7.1	8.0	8.7	8.4	8.7	8.5

Tourism	1996	1997	1998	1999	2000	2001	2002	2003	2004
Tourist Arrivals	486,867	536,125	558,195	578,085	656,453	660,318	681,648	702,018	718,861
Tourism receipts (Rs m)	9,048	10,068	11,890	13,668	14,234	18,166	18,328	19,397	23,448

Export Processing Zone	1996	1997	1998	1999	2000	2001	2002	2003	2004
EPZ Exports (Rs m)	21,001	23,049	26,075	29,131	30,961	33,695	32,683	33,400	34,100
EPZ imports (Rs m)	12,077	13,880	16,179	15,735	16,399	17,140	16,909	15,559	
EPZ Employment as at Dec (No.)	79,793	83,391	90,116	91,374	90,682	87,607	87,204	77,623	

Savings and Investment	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total GDFCF a/ (Rs m)	20,181	23,481	23,082	29,676	28,069	29,798	31,369	35,655	38,930
Private sector (Rs m)	12,741	14,530	16,826	19,590	20,340	20,463	21,590	21,816	25,555
Public sector (Rs m)	7,440	8,951	6,256	10,086	7,729	9,335	9,779	13,839	13,375
Growth Rate GDFCF (excl. aircraft & ships)	13.9	-1.4	7.5	10.8	1.0	-2.6	6.1	7.9	8.2
Growth Rate GDFCF	14.9	11.6	-6.7	22.1	-8.2	2.7	1.9	10.0	5.5
GDFCF % of GDP	25.5	26.7	23.2	27.6	23.5	22.5	22.0	22.6	22.3
Foreign Direct Investment (Rs m)	658	1,164	292	1,243	7,265	936	979	1,957	1,796
Gross National Saving (GNS)	20,052	23,845	26,121	27,563	30,852	37,607	38,662	39,993	43,750
GNS % of GDP (market prices)	25.4	27.1	26.2	25.7	25.8	28.5	27.2	25.4	25.2

Prices	1996	1997	1998	1999	2000	2001	2002	2003	2004
Inflation (calendar yr)	6.6	6.6	6.8	6.9	4.2	5.4	6.4	3.9	4.7
Inflation (financial year ending June)	5.8	7.9	5.4	7.9	5.3	4.4	6.3	5.1	3.9

a/ Gross Domestic Fixed Capital Formation

a
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

APPENDIX I

Workforce and Employment	1996	1997	1998	1999	2000	2001	2002	2003	2004
Labour Force (000's)	490.5	499.4	509.4	519.5	528.6	538.5	540.9	549.5	
of which: Local (000's)	482.3	490.8	499.4	506.6	514.0	522.0	523.9	531.3	
Foreign (000's)	8.2	8.6	10.0	12.9	14.6	16.5	17.0	18.2	
Employment (000's)	462.6	467.2	475.0	480.5	483.6	490.8	490.1	495.1	
Employment Growth Rate %	0.5	1.0	1.7	1.2	0.6	1.5	-0.1	1.0	
Unemployment (000's)	27.9	32.2	34.4	39.0	45.0	47.7	50.8	54.4	
Unemployment rate %	5.8	6.6	6.9	7.7	8.8	9.1	9.7	10.2	8.4

Trade	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Exports (FOB)	32,312	33,694	40,051	40,025	40,882	47,511	53,893	54,164	
Total Imports (CIF)	41,082	46,093	49,742	56,629	54,928	57,940	64,608	66,389	
Balance of Payments (Rs m)	859	-646	-1,476	4,803	6,415	-1,314	10,198	6,205	
Net International Reserves (Rs m)	19,304	21,443	21,349	22,575	25,214	31,760	40,551	48,414	48,218
Current Account Balance (Rs m)	610	-1,874	79	-3,128	-899	8,038	7,472	3,581	
Current Account Balance (% of GDP)	1	-2	0	-3	-1	6	5	2	
Terms of Trade				100	96	90	94	97	

Debt	1996	1997	1998	1999	2000	2001	2002	2003	2004
Budget Deficit Rate (FY ending June)	5.6	4.5	3.7	3.6	3.8	6.7	6.0	5.6	5.0
Total Debt (Rs m) (FY ending June)	33,865	39,860	45,371	51,012	56,831	60,562	75,880	95,487	93,427
Internal Debt (Rs m)	24,706	30,241	34,619	40,819	46,641	53,394	67,095	86,413	85,002
External Debt (Rs m)	9,159	9,619	10,752	10,193	10,190	7,168	8,785	9,074	8,425
Total Debt (% of GDP)	43	45	46	47	48	46	53	61	53

Other	1996	1997	1998	1999	2000	2001	2002	2003	2004
Mid year Population ('000)	1,099	1,113	1,125	1,140	1,151	1,164	1,174	1,186	1,197
Exchange Rate: British Pound	30.81	34.51	39.75	40.7	39.81	41.92	45.06	46.35	
Euro	24.43	23.55	26.57	26.59	24	25.76	28.01	31.69	
US \$	19.71	21.05	23.98	25.15	26.26	29.07	29.96	28.38	28.01
HDI Index	0.825	0.831	0.833	0.764	0.761	0.765	0.772	0.779	
Corruption Perception Index			5.0	4.9	4.7	4.5	4.5	4.4	

Employment by Industrial Group	Persons Employed by Sector ('000)					% Change 1999-03	% of Total 2003
	1999	2000	2001	2002	2003		
Agriculture, Forestry and Fishing	57.5	5.8	54.3	46.9	46.5	-19	9.4
Sugar Cane	30.9	29.4	28.1	21.6	19.9	-36	4.0
Non-Sugar Cane	26.6	26.4	26.2	25.3	26.5	0	5.4
Mining and Quarrying	1.4	1.3	1.3	1.3	0.3	-79	0.1
Manufacturing	142.4	142.0	143.5	139.5	134.4	-6	27.1
Sugar	3.9	3.4	3.2	3.1	2.2	-44	0.4
Export Promotion Zone (EPZ)	90.3	89.8	91.0	85.7	80.0	-11	16.2
Non-Sugar, Non EPZ	48.2	48.8	49.3	50.7	52.2	8	10.5
Electricity, Gas and Water	3.0	2.9	3.0	3.1	3.0	0	0.6
Construction	43.0	42.8	43.5	44.1	45.8	7	9.3
Wholesale and Retail Trade	62.9	63.7	65.1	67.4	70.8	13	14.3
Hotels and Restaurants	20.4	22.7	24.2	25.4	26.5	30	5.4
Transport and Communications	30.9	30.8	31.6	33.4	34.3	11	6.9
Financial Intermediation	7.1	7.3	7.5	7.5	7.9	11	1.6
Real Estate	12.3	14.1	14.3	14.3	14.6	19	2.9
Public Administration and Defence	34.8	35.1	36.2	38.2	39.2	13	7.9
Education	22.4	22.7	23.3	24.3	25.8	15	5.2
Health and Social Work	12.8	12.6	12.3	12.7	13.4	5	2.7
Other Community, Social and Services	29.5	29.8	30.7	32.0	32.7	11	6.6
Total Employed Persons	480.4	483.6	490.8	490.1	495.1	3	100.0

LOGICAL FRAMEWORK

Strategic Goal	Objectives	Outputs	Possible Instruments	Main Indicators ^{a/}
<ul style="list-style-type: none"> Contribute to improved livelihoods and incomes of rural households on Rodrigues and in selected village council areas of Mauritius that show the highest incidence of poverty. 	<ul style="list-style-type: none"> Help poor rural households adapt to and benefit from the restructuring of the economy by improving their ability to participate in the rapidly growing sectors of the Mauritian economy. 	<ul style="list-style-type: none"> Strengthened policies in marine environmental protection and sustainable poverty reduction in coastal communities and remaining pockets of high poverty incidence, with emphasis on Rodrigues and the areas most negatively affected by manufacturing industry retrenchment. Men and women members of the poorest households on Rodrigues and the poorest village council areas on Mauritius acquire skills and other resources needed to obtain employment or establish successful rural microenterprises. Rural women (mainly) retrenched from textile enterprises, and employees on the voluntary retirement scheme retrained to improve their employability or entrepreneurial skills. Smallholder sugar cane planters assisted in diversifying into higher value crop and livestock enterprises. 	<ul style="list-style-type: none"> Further support for community development, microfinance and microenterprise development, possibly via the TFSIVG and budget support programmes. Technical and vocational training programmes for poor households and retrenched manufacturing workers to improve their employability and entrepreneurial skills. Planned redundancy programmes for rural workers in manufacturing enterprises facing downsizing or closure. Enhancing the capacity of business development service providers to support rural SMEs and microenterprises. Improving the enabling environment for the employment of rural people (e.g., information on job vacancies, public transport, childcare, etc.). Improving the enabling environment for rural microenterprises and SMEs (e.g., licensing procedures, job fairs, financial services, market information, telecommunications, etc.). Raising community awareness of microenterprise concepts through the training of trainers and secondary school programmes. 	<ul style="list-style-type: none"> Budgetary allocation to TFSIVG and other pro-poor initiatives and impact assessment of funded programmes. Increased employment and reduced unemployment in rural households on Rodrigues and the pockets of poverty on Mauritius. The number of successful microenterprises established. Increased farm incomes from diversification away from sugar. School achievement and literacy levels in the target communities. Number of village council areas with a relative development index <0.6 Number of rural households with monthly income of <MUR 6 000.

			<ul style="list-style-type: none"> • Feasibility studies, business plans and pilot programmes to test and demonstrate new income-generating opportunities (e.g., seaweed culture on Rodrigues). • Improved research and extension services to support crop diversification and water user associations for smallholder sugar cane planters. 	
--	--	--	---	--

a/ All indicators to be gender disaggregated.

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

A. INSTITUTIONAL ANALYSIS

Institution	Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Government of Mauritius 	<ul style="list-style-type: none"> • Sound legal and regulatory framework consistent with the needs of economic growth. • The New Economic Agenda provides a vision for the future national development trajectory. • A clearly defined policy and action plan for poverty reduction. • A good socio-economic database enables most disadvantaged communities to be easily identified. • Fully operational TFSIVG. • Professional civil service with a high degree of transparency and accountability. 	<ul style="list-style-type: none"> • Unsustainable fiscal deficit that places pressure on the ability of the Government to provide social services to disadvantaged groups. • Declining financial support from donors and international financial institutions. • Bureaucratic procedures cause long delays in project implementation in the public sector. • Limited capacity of agricultural and fisheries support services (research, extension, etc.). • Poor record of monitoring and evaluation in externally funded programmes. 	<ul style="list-style-type: none"> • The scope for considerable improvements in the effectiveness and efficiency of the public administration. • The opportunity to move towards sectoral budget support arrangements in some externally funded areas. • The scope for the reform or privatization of parastatals and greater private sector participation in the delivery of public goods. • The potential to broaden the tax base to reduce the fiscal deficit. 	<ul style="list-style-type: none"> • Rising unemployment could put additional pressure on the fiscal deficit and the delivery of social services.

B. SECTORAL ANALYSIS

Sector	Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Poor rural households on Rodrigues. 	<ul style="list-style-type: none"> • Reasonable access to infrastructure and services. • Free health care and education. 	<ul style="list-style-type: none"> • Extreme isolation in the middle of the Indian Ocean. • Lack of marketing 	<ul style="list-style-type: none"> • Access to employment opportunities on Mauritius. • Establishment of new 	<ul style="list-style-type: none"> • Natural disasters (cyclones, tsunamis, etc.).

	<ul style="list-style-type: none"> • A high degree of social and community cohesion. • Demonstrated ability to use microfinance effectively. 	<p>opportunities for most agricultural products.</p> <ul style="list-style-type: none"> • High level of unemployment and shortage of job opportunities outside agriculture and fisheries. • Lack of career opportunities for youth. 	<p>income-generating enterprises based on marine resources (e.g., mariculture and seaweed production).</p> <ul style="list-style-type: none"> • Extension of microenterprise/microfinance activities based on successful pilot programme. 	<ul style="list-style-type: none"> • Environmental degradation. • The emigration of the most productive and entrepreneurial individuals. • The spread of HIV/AIDS from the current low level. • The low educational achievement by children in the poorest households perpetuates poverty.
<ul style="list-style-type: none"> • Poor rural households in village council areas with a low relative development index on Mauritius. 	<ul style="list-style-type: none"> • Good access to infrastructure and services. • Free health care and education. • Good (but declining) employment opportunities in rural-based manufacturing enterprises (textiles and sugar milling). 	<ul style="list-style-type: none"> • Heavy dependence on sugar and lack of diversification in farming systems. • Lack of the vocational skills needed to gain employment in the growing tourism, construction and services sectors. • Many rural poor lack access to land or marine resources. • Declining share of agriculture in the national economy, leaving more rural households marginalized. 	<ul style="list-style-type: none"> • Increasing employment opportunities for rural households in tourism, construction and service sectors. • Training or retraining to improve employability and entrepreneurial skills. • Strengthen and extend microenterprise/microfinance activities initiated under RDP and TFSIVG. 	<ul style="list-style-type: none"> • Worsening market access for sugar and textile products manufactured in rural areas. • Further retrenchment of rural workers engaged in textile and sugar processing factories. • Risk that poor rural households will become permanently impoverished peri-urban dwellers. • The incidence of HIV/AIDS increases from a low base. • The low educational

				achievement by children in the poorest households perpetuates poverty.
<ul style="list-style-type: none"> SME and microenterprise support services 	<ul style="list-style-type: none"> Strong, high-level political support for microfinance. The Development Bank of Mauritius has an SME lending section and some experience in microfinance under the IFAD RDP. Cooperative credit unions operating at the district and village levels. Several successful microfinance/microenterprise projects provide useful lessons. The TFSIVG provides a microfinance service and has good district level representation. 	<ul style="list-style-type: none"> Generally poor record of business success and loan recovery in microenterprise/microfinance operations. Overemphasis on loan disbursement at the expense of recovery. The Development Bank of Mauritius does not have a branch network, nor the staff needed to provide a high level of loan supervision. Vocational and technical training services and small business support services are weak. There are few NGOs with the capacity to act as financial intermediaries. Limited capacity for the monitoring and evaluation of microfinance activities. 	<ul style="list-style-type: none"> Provide smaller loans initially and increase the amounts later after the client's performance has been assessed. Increase training and technical assistance services provided in parallel with credit. Develop the capacity of NGOs and cooperative credit unions to act as microfinance intermediaries. Capacity-building among micro- and SME business development service providers. 	<ul style="list-style-type: none"> The perception of borrowers that Government money does not have to be repaid. The high rate of failure in start-up microenterprises and SMEs, leading to personal hardship or default.

APPENDIX IV

IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

Strategic Framework for 2002-2006: Enabling the rural poor to overcome their poverty	
Strategic Objectives	Relationship to Mauritius COSOP
<ul style="list-style-type: none"> Human and Social Assets: strengthening the capacity of the rural poor and their organizations. 	<ul style="list-style-type: none"> The COSOP emphasizes participatory processes in identifying and designing development programmes. The community development component of the RDP aims to develop the capacity of village level organizations and community infrastructure.
<ul style="list-style-type: none"> Productive Assets and Technology: improving equitable access to productive natural resources and technology. 	<ul style="list-style-type: none"> The RDP supports irrigation development and off-lagoon fishing to relieve pressure on inshore lagoons and reefs. The COSOP proposes IFAD support in the areas of technical and vocational training and the introduction of new agricultural and aquacultural technologies to diversify sources of income.
<ul style="list-style-type: none"> Financial Assets and Markets: increasing access for financial services and markets. 	<ul style="list-style-type: none"> The RDP supports microfinance and microenterprise development assistance for poor rural households.
Regional Strategy for Eastern and Southern Africa	
Cross-Cutting Principles	Relationship to Mauritius COSOP
<ul style="list-style-type: none"> Careful targeting that focuses on where the poor are and what they do for a living. 	<ul style="list-style-type: none"> The COSOP recommends principles and procedures for targeting specific vulnerable groups. Village-level census data enable pockets of poverty to be readily identified.
<ul style="list-style-type: none"> The empowerment of the rural poor to strengthen their own productivity and increase their assets. 	<ul style="list-style-type: none"> The COSOP identifies the poorest and most vulnerable groups and proposes a menu of options for rural poverty reduction from which these households can select.
<ul style="list-style-type: none"> Democratic accountability, to ensure that public policy and institutions effectively facilitate the efforts of the rural poor to work themselves out of poverty. 	<ul style="list-style-type: none"> RDP water user associations are managed according to democratic accountability principles. The COSOP recommends marine resource management and a rural livelihoods programme that may incorporate policy and institutional reforms.
Principal Regional Thrusts	Relationship to Mauritius COSOP
<ul style="list-style-type: none"> Promoting efficient and equitable market linkages. 	<ul style="list-style-type: none"> Support for the implementation of the non-sugar sector strategic plan will promote and develop the supply chain for alternative agricultural commodities.
<ul style="list-style-type: none"> Developing rural financial systems. 	<ul style="list-style-type: none"> The RDP has identified shortcomings in the existing microfinance systems supporting rural households. The COSOP has identified the potential for the further development of microfinance under complementary programmes financed by the EU and the Government (TFSIVG).
<ul style="list-style-type: none"> Improving the access to and management of land and water. 	<ul style="list-style-type: none"> The RDP is supporting irrigation development for smallholder sugar and vegetable growers. Marine resource management and sustainable livelihoods are a feature of the current COSOP.
<ul style="list-style-type: none"> Creating a better knowledge, information and technology system. 	<ul style="list-style-type: none"> COSOP supports the concept of technical and vocational training, including, where necessary, basic literacy training, so as to enhance the employability of retrenched factory workers.

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

Donor Agency	Nature of Intervention	Coverage	Status	Complementarity/Synergy Potential
United Nations Development Programme	Country Programme for Mauritius 2005-07.	<p>Programme components:</p> <ul style="list-style-type: none"> • Pro-poor policy reform to achieve Millennium Development Goal targets, including: (a) local level poverty initiatives; (b) gender mainstreaming; (c) civil society empowerment; (d) making information and communications technology work for the poor; and (e) public administration reform and anti-corruption efforts. • Energy and environment, including: (a) frameworks and strategies for sustainable development; (b) improved access to sustainable energy supplies; (c) sustainable land management to combat land degradation; and (d) conservation and sustainable use of biodiversity. 	<p>Under implementation.</p> <p>Includes a programme for the formulation of the Sustainable Integrated Development Plan for Rodrigues.</p>	<p>The broad objectives and components of the UN Development Programme initiative are consistent with the COSOP focus on rural poverty reduction.</p> <p>The COSOP foresees that IFAD initiatives to address rural poverty in Rodrigues should fall within the scope and mandate of the Sustainable Integrated Development Plan.</p>
No donor (fully funded by the Government)	TFSIVG	<ul style="list-style-type: none"> • Nationwide coverage, including both Mauritius and Rodrigues. Supports: (a) community-based projects implemented through NGOs and CBOs; (b) operates a microfinance scheme; and (c) operates a loan scheme to assist students from poor households. • Operated by a network of community facilitators and field workers. 	<p>Operational since 2000. Funding is expected to be fully committed by the end of 2006.</p> <p>The ongoing disbursements around are USD 2.7 million per annum.</p>	<p>Procedures for community development and microfinance are harmonized with the RDP.</p> <p>The TFSIVG could be used as a conduit for IFAD funds supporting rural poverty reduction initiatives.</p>
EU	Decentralized Cooperation Programme	<ul style="list-style-type: none"> • EUR 13.5 million (USD 17.5 million) EU-supported community development/microenterprise programme is to be implemented over a three-year period through non-state actors such as NGOs, CBOs, trade unions and village councils. 	<p>The financing agreement has been signed.</p> <p>The programme is to be launched in the final quarter of 2005.</p>	<p>Provides a large line of funding for community development and microfinance and microenterprise development.</p>

Donor Agency	Nature of Intervention	Coverage	Status	Complementarity/ Synergy Potential
African Development Bank	Northern Plains Irrigation Project	<ul style="list-style-type: none"> Project includes: (a) de-rocking and land preparation on 1 377 ha; (b) technical assistance for the detailed design of an irrigation system and the supervision of works and for training in participatory irrigation management and in gender sensitization and environmental aspects of irrigation projects; (c) the installation of irrigation infrastructure consisting of centre pivots and solid set systems; and (d) project management and institutional development. 	The project was approved in January 2005. To cost: 15.2 million units of account financed by the African Development Bank (7.7 million), the Government (3.9 million) and the Arab Bank for Economic Development in Africa (3.6 million).	Lessons learned from the IFAD experience in irrigation development should be considered, especially the formation and operation of water user associations.
Food and Agriculture Organization of the United Nations	National Medium-Term Investment Programme	<ul style="list-style-type: none"> The programme was prepared in February 2005 under the auspices of the Comprehensive Africa Agricultural Development Programme of the New Partnership for Africa's Development. The programme identifies six bankable investment projects: (a) agricultural diversification (integrated processing and marketing); (b) Mauritius agricultural information system; (c) the Sustainable Land and Water Management Project; (d) Community Development and Poverty Alleviation Project; (e) Mauritius Agricultural Biotechnology Institute; and (f) strengthening the agro-processing capacity of Rodrigues. 	The programme was prepared under a Food and Agriculture Organization technical cooperation programme grant. It is unclear at this stage how the investment projects will be financed. The follow-up Food and Agriculture Organization mission due in September 2005.	Several of the priorities included in the programme are consistent with the main thrust of the COSOP and could be incorporated in subsequent projects or programmes supported by IFAD.